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REVENUE REVIEW

Quarterly
Revenue Report
for the
State of
Michigan

NOVEMBER 2000

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 1998-99</u>	<u>4th Qtr FY 1999-2000</u>	<u>4th Qtr %</u>	<u>YTD %</u>
\$5,277.4 million	\$5,361.8 million	1.6%	4.4%

Revenue collections for the fourth quarter (August—October 2000) of fiscal year (FY) 1999-2000 were \$84.4 million or 1.6% higher than fourth quarter collections in FY 1998-99. This pace of growth was significantly below the 5.5% rate in the first three quarters of FY 1999-2000. Revenue collections for FY 1999-2000, without year-end accruals and adjustments, totaled \$20.6 billion, which was up \$870.9 million or 4.4% from FY 1998-99 revenue through October 1999.

INCOME TAX (NET)

<u>4th Qtr FY 1998-99</u>	<u>4th Qtr FY 1999-2000</u>	<u>4th Qtr %</u>	<u>YTD %</u>
\$1,749.4 million	\$1,729.9 million	-1.1%	4.4%

Income tax revenue consists of three components – withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for the fourth quarter of FY 1999-2000 were \$19.5 million or 1.1% lower than fourth quarter collections in FY 1998-99. The growth was not balanced, as withholding payments posted weak growth while annual and quarterly payments increased 12.2%. To a large degree, the weakness in withholding payments reflects the income tax rate reduction from 4.4% to 4.2%. Net income tax collections for FY 1999-2000 year-to-date totaled \$7.2 billion, which was up \$306.3 million or 4.4% from FY 1998-99 revenue through October 1999.

SALES AND USE TAXES

<u>4th Qtr FY 1998-99</u>	<u>4th Qtr FY 1999-2000</u>	<u>4th Qtr %</u>	<u>YTD %</u>
\$1,897.4 million	\$1,997.9 million	5.3%	7.5%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, and gas and electric utilities.

Sales and Use tax collections for the fourth quarter of FY 1999-2000 were \$100.5 million or 5.3% higher than the year-ago quarter. The fourth quarter growth depicts a decline from the 8.3% pace in the first three quarters of the fiscal year. Sales and Use tax collections for FY 1999-2000 year-to-date totaled \$7.7 billion, which was up \$536.0 million or 7.5% from FY 1998-99 revenue through October 1999.

SINGLE BUSINESS AND INSURANCE TAXES

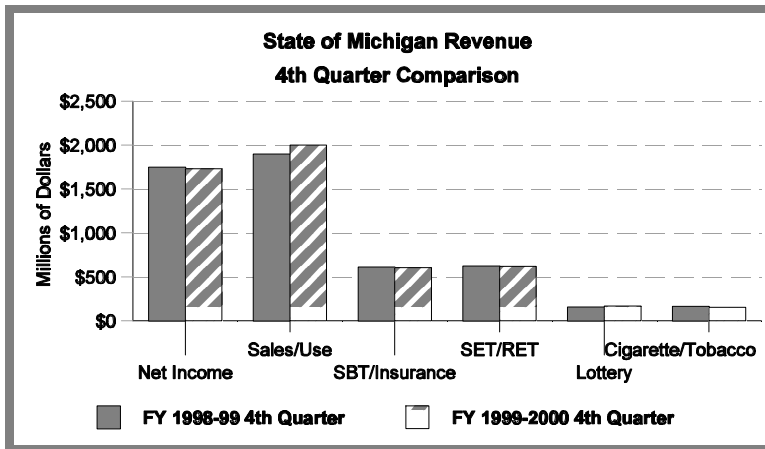
<u>4th Qtr FY 1998-99</u>	<u>4th Qtr FY 1999-2000</u>	<u>4th Qtr %</u>	<u>YTD %</u>
\$612.4 million	\$603.3 million	-1.5%	-2.1%

Single Business and Insurance taxes are applied to the value added of business activities. For the fourth quarter of FY 1999-2000, Single Business and Insurance tax collections were \$9.1 million or 1.5% below the year-ago quarter. Single Business and Insurance tax collections for FY 1999-2000 year-to-date totaled \$2.5 billion, which was down \$55.2 million or 2.1% from FY 1998-99 revenue through October 1999.

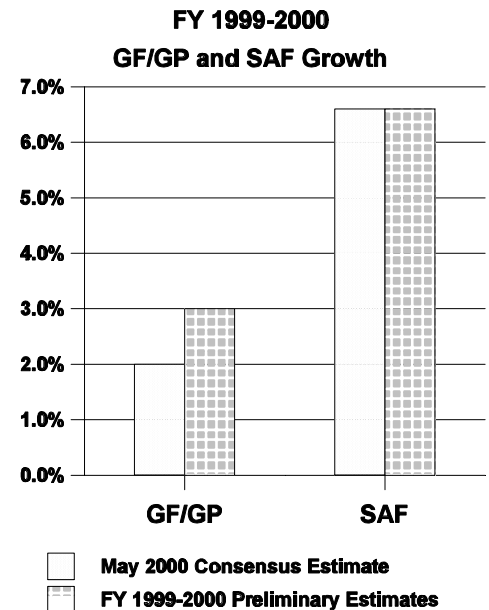
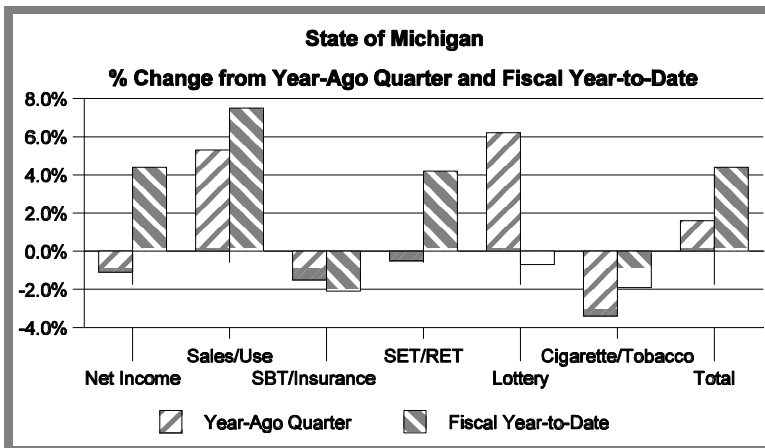
OTHER REVENUE

<u>4th Qtr FY 1998-99</u>	<u>4th Qtr FY 1999-2000</u>	<u>4th Qtr %</u>	<u>YTD %Change</u>
\$1,018.2 million	\$1,030.7 million	1.2%	2.7%

Other revenue (which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery) for the fourth quarter of FY 1999-2000 was up \$12.5 million or 1.2% from the fourth quarter of FY 1998-2000. On a fiscal year-to-date basis, other revenue totaled \$3.2 billion—up \$83.8 million or 2.7% from FY 1998-99 revenue through October 1999.



At this time, preliminary estimates indicate that GF/GP revenue will be \$95 million higher than the consensus; SAF revenue is approximately equal to the consensus. Final revenues for FY 1999-2000 will not be known until all year-end accruals and adjustments are made in late December.



**HOUSE
FISCAL
AGENCY**

Revenue Quarterly Review: 4th Quarter (August—October) FY 1999-2000 (Millions of Dollars)

Revenue	FY 1999-2000 4th Quarter	Percent Change From Year-Ago 4th Quarter	FY 1999-2000 Year-to-Date	Change From Previous Fiscal Year-to-Date		FY 1999-2000 Consensus Forecast Percent Change
				Dollar	Percent	
Annual Income Tax	\$53.1	24.4%	\$791.5	\$81.4	11.5%	8.4%
Quarterly Income Tax	212.3	9.5%	866.7	59.0	7.3%	0.8%
Withholding	1,562.9	-2.2%	6,745.5	218.7	3.4%	4.2%
..... Subtotal	1,828.3	-0.3%	8,403.7	359.1	4.5%	4.2%
Income Tax Refunds	98.4	16.3%	1,174.7	52.8	4.7%	8.3%
..... Net Income Tax	1,729.9	-1.1%	7,229.0	306.3	4.4%	3.7%
Sales Tax	1,642.4	6.7%	6,350.1	467.2	7.9%	6.9%
Use Tax	355.5	-0.8%	1,358.3	68.8	5.3%	7.0%
..... Subtotal	1,997.9	5.3%	7,708.4	536.0	7.5%	6.9%
Single Business Tax	549.2	-3.4%	2,318.2	(67.5)	-2.8%	-0.7%
Insurance Tax	54.1	23.2%	202.6	12.3	6.5%	1.5%
..... Subtotal	603.3	-1.5%	2,520.8	(55.2)	-2.1%	-0.5%
Inheritance/Estate Tax	50.2	7.9%	176.8	2.0	1.2%	6.9%
Cigarette/Tobacco Tax	157.0	-3.4%	602.9	(11.8)	-1.9%	-2.7%
Lottery	168.9	6.2%	616.6	(4.5)	-0.7%	-2.0%
Industrial/CommFacility Taxes	36.2	29.6%	159.1	29.2	22.5%	20.2%
Real Estate Transfer (RET) Tax	73.6	-19.4%	253.9	(3.1)	-1.2%	0.9%
State Education Tax (SET)	544.9	2.6%	1,349.8	67.1	5.2%	6.8%
..... Subtotal	1,030.7	1.2%	3,159.1	83.8	2.7%	3.2%
TOTAL	\$5,361.8	1.6%	\$20,617.3	\$870.9	4.4%	3.7%

NOTE: Consensus revenue figures are adjusted to reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.